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SUBJECT: CYPRUS: DIKO BATTLE COULD AFFECT COALITION, TALKS

NICOSIA 00000200 001.2 OF 002

¶1. (SBU) SUMMARY: Democratic Party (DIKO) leader Marios Karoyian suffered a major defeat in March 15 internal party elections that puts his political future in doubt, threatens the fragile coalition with President Demetris Christofias's AKEL party, and conceivably could hinder Cyprus settlement talks. Though Karoyian won re-election unopposed, party forces advocating a harder-line Cyprus problem policy -- and distance from Christofias -- won a controlling majority in the decision-making organs of the party. Immediately upon taking power, they reiterated their disagreements with the President and called for a reassessment of DIKO's cooperation with the government. Sensing a possible crack in the coalition, opposition Democratic Rally (DISY) made alliance overtures to centrist DIKO, an electoral nightmare scenario for Christofias. In response, the President may give greater weight to DIKO's hard-line CyProb views in order to maintain coalition health. END SUMMARY.

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DIKO Leader Suffers Major Defeat  
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¶2. (SBU) DIKO's division into pro-Karoyian and pro-former President Tassos Papadopoulos factions has never been more evident than in the party's electoral congress of March 15. Though both factions espouse uncompromising views on the Cyprus problem, the former supports a more tolerant stance towards President Christofias for the sake of staying in power, while the latter advocates a more demanding and critical approach and occasionally threatens to withdraw from government. Karoyian himself was elected unopposed, but the remaining three top leadership positions and the majority of the seats in the powerful Executive Office went to candidates representing the rival camp. George Colocassides was re-elected DIKO Deputy Leader, Nicolas Papadopoulos (the late President's son) was elected Vice President, and Papadopoulos's godson, Kyriacos Kenevezos, was re-elected General Secretary. Nine out of 20 members of the Executive Office are hardcore Papadopoulos acolytes, six side with Karoyian, and the remaining five are considered neutral. In the elections for new Central Committee members, Papadopoulos's daughter, Anastassia, in her first bid for a party post, won the highest number of votes from among all candidates.

¶3. (SBU) Opinion leaders viewed the results as a major defeat for Karoyian and a message that the DIKO rank-and-file favors a harder-line approach towards the Christofias administration. However, Karoyian's conciliatory stance towards Christofias is but one reason for the embarrassing defeat. Image-wise, the pro-Karoyian candidates were considered less savvy politicians and relatively inexperienced, for example. Further, the loss indicated that the party leader, in his two-and-a-half years in power, had failed to control fully the party machinery. Former DIKO Deputy Leader Nicos Cleanthous told EmbOff on March 18 that in 2006, Tassos Papadopoulos "had allowed" the election of Karoyian but intended him only to play a transitional role while son Nicolas gained necessary DIKO experience.

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Winners criticize Christofias  
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¶4. (SBU) Hours after the election, predictions that the pro-Papadopoulos camp would press for a reassessment of the relationship with Christofias were confirmed. Deputy Leader Colocassides on March 17 announced that DIKO's cooperation with the President should be reexamined, since there were serious disagreements on the Cyprus issue but also on other crucial issues such as education reform, defense, the economy, and Cyprus's possible membership in the Partnership for Peace (PfP). New DIKO VP Nicolas Papadopoulos severely criticized Christofias's handling of the Cyprus issue and promised he would push for changes in approach. Christofias's positions were inspired by the Annan Plan, he accused, while the Turkish Cypriot side was pushing for a two-state solution -- anathema to Greek Cypriots.

¶5. (SBU) Most experts believe Karoyian has no choice but to align with the party hard-liners. Opposition daily "Politis" wrote on March 17 that Karoyian was a "hostage" of the pro-Papadopoulos camp, and that one of their immediate goals was the inclusion of a DIKO representative in Christofias's negotiating team. A newly-elected member of the Executive Office, former Minister of Education Akis Cleanthous, confirmed in a meeting with PolOff on March 19 that getting a seat at the negotiating table was indeed the top priority of the new DIKO Executive Office.

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Christofias in a bind  
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¶6. (SBU) A Presidential Palace source told the Embassy on March 19 that Christofias was gravely concerned over the outcome of the DIKO election. He reported that Christofias has no other option but to be flexible with DIKO; otherwise, he will "throw it into the arms of the opposition [DISY]." Former Justice Minister and Government URBANCIC

NICOSIA 00000200 002.2 OF 002

Spokesman Kypros Chrysostomides, once a DIKO leader and now a close ally of Christofias, predicted on March 18 that DIKO would withdraw from the government, perhaps even before the European Parliament elections in June 2009. He argued that, in such an eventuality, the third coalition partner, socialist EDEK, might follow suit. Chrysostomides did not expect that developments in DIKO would impact Christofias's Cyprus problem policy significantly, however, since he believed the President would prefer to drive DIKO out of the coalition than to move away from the solution process.

¶7. (SBU) DISY has tried to build bridges with DIKO in hopes the latter will abandon the government coalition. DISY leader Nikos Anastassiades on March 15 publicly invited DIKO to join the European People's Party Group in the European Parliament -- of which DISY is a member -- and committed himself to supporting DIKO's application without any preconditions. Anastassiades also underlined a number of common positions shared by the two political parties, on the EU's Lisbon Treaty, PfP, education reform, and economic policy. A DISY source told the Embassy that Anastassiades's attempts to co-opt DIKO would not affect his support for Christofias's settlement efforts, however.

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Comment  
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¶8. (SBU) With or without Karoyian's blessing, the new DIKO crew will press Christofias for an increased role in CyProb decision-making, as well as on secondary issues like education reform. It will take very skillful maneuvering on the President's part to keep DIKO in the pro-government coalition without making major compromises on vital policy issues, especially if DISY continues its effort to woo DIKO.  
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